

British Smaller Companies VCT plc

Interim Report
for the
six months ended
30 September
2017



Winner
Small UK
Deal of the Year
GO Outdoors



Winner
VCT Exit of the Year
President
Engineering Group



Winner
Best Report &
Accounts
VCTs

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ABOUT US

British Smaller Companies VCT plc (the "Company") was launched in 1996 and has a diverse portfolio of unquoted and AIM quoted investments. The current investment portfolio has a valuation of £56.4 million at 30 September 2017.

INVESTMENT POLICY

The investment strategy of the Company is to create a portfolio that blends a mix of companies operating in traditional industries with those that offer opportunities in the application and development of innovation.

The Company invests in UK businesses across a broad range of sectors including Software, IT & Telecommunications, Business Services, Manufacturing & Industrial Services, Retail & Brands and Healthcare and these investments will primarily be in unquoted companies.

The majority of investments in the current portfolio are in a combination of equities, preference shares and loan stock. The investments made under the new VCT rules consist largely or solely of equity instruments.

FINANCIAL HIGHLIGHTS

213.4
pence

213.4p Total Return

Your Company's total return is 213.4 pence per ordinary share, an increase of 0.4 pence per ordinary share from 213.0 pence per ordinary share as at 31 March 2017.

3.7x
Return

3.7x Return

The sale of Selima Holding Company Ltd delivered proceeds of £1.99 million, achieving a multiple of 3.7x original cost, with the potential for further consideration.

136.4
pence

136.4p Cumulative Dividends Paid

An interim dividend of 5.75 pence per ordinary share in respect of the year ended 31 March 2018 was paid on 26 May 2017 which takes the cumulative dividends paid since the Company's inception to 136.4 pence per ordinary share.

£3.12
million

£3.12 million Investment

The Company invested £3.12 million into new and follow-on investments during the period.

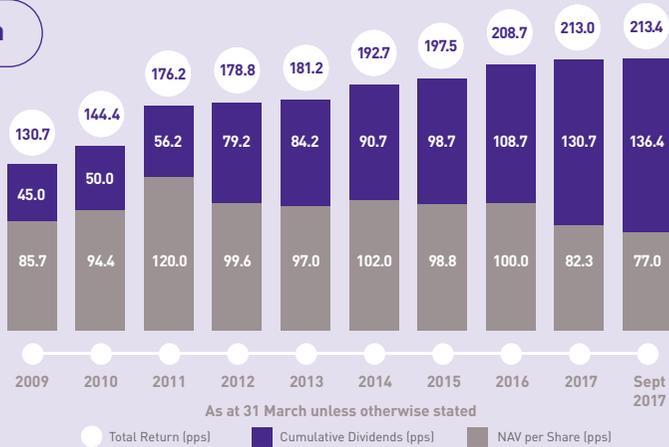
FINANCIAL SUMMARY

for the six months ended 30 September 2017

The commonly used benchmarks of performance for VCTs are total return, calculated as cumulative dividends paid plus net asset value, and dividends paid.

The charts below show how the total return of your Company, calculated by reference to the net asset value per ordinary share plus cumulative dividends paid of 136.4 pence per ordinary share, has developed over the last ten years.

Total Return



Dividends Paid





CHAIRMAN'S STATEMENT

I am pleased to present the Interim Accounts for the period to 30 September 2017 for British Smaller Companies VCT plc (the "Company").

During the period your Company's total return has increased by 0.4 pence to 213.4 pence per ordinary share, with the net asset value at 77.0 pence per ordinary share following the payment of the interim dividend of 5.75 pence per ordinary share for the year ending 31 March 2018.

The Company's portfolio has continued to perform satisfactorily with successful exits from two investments and the reduction of holdings in quoted investments yielding net gains of £0.63 million. New and follow-on investments totalling £3.12 million have also been completed.

Realisations in period

I am pleased to inform you that your Company achieved two full realisations in the six months to 30 September 2017.

In May 2017 the Company realised its investment in **Selima Holding Company Ltd** generating initial proceeds of £1.99 million. The total return from this investment was £2.26 million, a multiple of 3.7x cost. There is the potential for additional contingent consideration of up to a maximum of £1.41 million, subject to the achievement of agreed milestones over the period to November 2019.

The Company originally invested into **Harvey Jones Holdings Limited** in 2007 and following a series of agreed loan repayments sold its final interest in the business in August 2017 for £0.31 million. This takes the total return from this investment to £3.20 million, a multiple of 1.6x cost.

Awards

The Company has received a number of awards this year, including Private Equity International's Operational Excellence for the EMEA region for the added-value input over the life of its investment in **GO Outdoors**. This is the first time that a VCT has won this award.

New investment

During the period your Company completed two new investments and made two follow-on investments.

In July 2017 your Company completed a £1.80 million investment into **Friska Limited**. Friska operates a chain of "food-to-go" restaurants centred in Bristol. This retail chain has a clear roll out strategy to extend to new UK locations and build a distinctive national 'Feel Good Food' brand from the proven core profitable estate in Bristol.

In September 2017 an investment of £0.90 million was completed into **e2E Engineering Limited**, a well-established technical consultancy business operating in the satellite communications market. The business is utilising new technologies to become a niche managed service communications provider focusing on areas currently under served by existing solutions.

Follow-on investments were made into **Sipsynergy** (£0.42 million) and a small investment into **Teraview**.

There is an active pipeline of new investment opportunities including approval for £3.00 million of investment which is hoped will complete in early 2018.

Financial Results and Dividends

The portfolio's consistent performance resulted in a value gain of £0.56 million, equivalent to an increase in value to shareholders of 0.5 pence per ordinary share.

On 26 May 2017 an interim dividend in respect of the year ending 31 March 2018 of 5.75 pence per ordinary share was paid, which brings cumulative dividends paid to date to 136.4 pence per ordinary share. The Board is not currently proposing the payment of further dividends in the financial year.

The movements in net asset value per ordinary share and the dividends paid in the six months to 30 September 2017 are shown in the table below.

Net Asset Value "NAV"

	Pence per ordinary share	£000
NAV at 1 April 2017	82.3	88,072
Net underlying increase in portfolio	0.5	563
Other movements	-	(53)
Issue /buy-back of new shares	-	1,542
	0.5	2,052
Dividends paid	(5.8)	(6,150)
	(5.3)	(4,098)
NAV at 30 September 2017	77.0	83,974
Cumulative dividends paid	136.4	
Total Return: at 30 September 2017	213.4	
at 31 March 2017	213.0	

Shareholder Relations

The Investment Adviser recently commissioned a survey to identify shareholder reasons for investing in VCTs and it is very pleasing that more than 1,000 shareholders replied.

The results identified that 90 per cent chose to invest in VCTs primarily due to the tax relief on offer. In addition 75 per cent of respondents also identified dividend yield as a key driver. The recent Budget did not change the tax treatment on VCT dividends which I am sure is a positive for the industry and its shareholders. Almost half of the respondents (45 per cent) said they chose VCTs in order to support growing UK businesses and the investment in Selima reported earlier is a good example of the success achieved by your Company in supporting the UK economy.

Shareholders also indicated a strong preference to be patient investors with 64 per cent having held their investment for more than 10 years and 32 per cent wanting information on how to transfer the shares to the next generation in their family.

The electronic communications policy continues to be a great success, with 82 per cent of shareholders now receiving communications in this way. Documents such as the annual report are disseminated via the website www.bscfunds.com rather than by post, saving on printing costs as well as being more environmentally friendly.

Your Company's website www.bscfunds.com is refreshed on a regular basis, and provides a comprehensive level of information in what I hope is a user friendly format.

Share Premium Cancellation

On 21 September 2017 the Company cancelled the balance of its Share Premium, £37.01 million, which was transferred to the Capital Reserve. As set out on page 23 this will become available for distribution at various times over the period to 1 April 2021.

Budget Highlights and Patient Capital Review

It was pleasing that the Government reaffirmed its commitment to the Venture Capital Trust industry which invests in the UK's small businesses, fuelling growth and innovation. The changes announced seek to focus investment on earlier stage higher risk businesses and away from capital preservation/asset-backed investments and also to achieve higher levels of investment in qualifying companies.

A new "risk-based principles" test is to be introduced with guidelines expected to be published on 1 December 2017.

There are two new qualifying investment tests; the first is that for the Company as a whole 80 per cent of its investments will have to be held in Qualifying Investments as opposed to the current test of 70 per cent; for the Company this comes into force from 1 April 2020. The second test applies to financial years commencing on or after 6 April 2019 where 30 per cent of any new funds raised must be invested in Qualifying Investments within 12 months. This will apply for the year ending 31 March 2021. It is not believed that either of these changes will significantly impact the Company.

There are also proposed changes to the investment instruments that VCTs can use. In particular the use of loan structures will have more restrictive conditions. Loans will have to be unsecured, and the returns achievable from them will be restricted. Whilst this will have some limited impact on the Company, the majority of investments made subsequent to November 2015 have not included significant levels of loan stock.

The Government published the results of its consultation known as the Patient Capital Review at the same time as the November 2017 Budget.

Board Changes

Philip Cammerman retired from the Board on 1 August 2017 and Rupert Cook was appointed. The Board and all staff at the Investment Adviser would like to thank Phil for his contribution to the Company over the 21 years since it was formed. Rupert brings a wealth of experience in smaller companies, notably in a variety of technology sectors, which will be invaluable as the Company invests in earlier stage businesses.

Outlook

Although we remain in uncertain times and it is unclear what the full implications of the UK's decision to leave the European Union will mean for many businesses, your Board is confident that the businesses in your Company's portfolio should be able to adapt to the new economic environment and the pipeline of new investments is continuing to develop.

Your Board will continue to seek to grow and diversify the portfolio, recognising that due to the regulatory environment its composition will change over time as the current portfolio is realised and replaced with growth capital investments in earlier stage, younger businesses. While the current portfolio should continue to generate more consistent returns, in the medium to long term there is likely to be a greater volatility of returns and your Board will continue to monitor its dividend and buy-back policies through this transition.

Your Board remains committed to continuing to build a strong and diversified portfolio to deliver long-term value to shareholders.



Helen Sinclair
Chairman

1 December 2017

OBJECTIVES AND STRATEGY

The Company's objective is to provide investors with an attractive long-term tax free dividend yield whilst maintaining the Company's status as a venture capital trust.

The investment strategy of the Company is to create a portfolio with a mix of companies operating in traditional industries and those that offer opportunities in the development and application of innovation.

The Company invests in UK businesses across a broad range of sectors including but not limited to Software, IT & Telecommunications, Business Services, Manufacturing & Industrial Services, Retail & Brands and Healthcare in VCT qualifying and non-qualifying unquoted securities.

INVESTMENT REVIEW

The Company's portfolio at 30 September 2017 had a value of £56.43 million (excluding the gilt portfolio) consisting of £54.35 million (96 per cent) in unquoted investments and £2.08 million (4 per cent) in quoted investments. The portfolio is well diversified, with the largest single investment representing 6.6 per cent of the net asset value.

Over the six months to 30 September 2017 the portfolio saw an underlying value gain of £0.56 million from both the ongoing and realised portfolio, consisting of a realised gain of £0.63 million and an overall valuation fall of £0.07 million.

There was a value gain of £0.09 million from the quoted portfolio which was offset by an overall loss of £0.16 million from the unquoted portfolio where, notwithstanding difficult trading conditions experienced by two companies, steady progress has been made by other investee companies. The most significant gains in valuation in the period were:

- Deep-Secure Limited Up £0.69 million
- GTK (Holdco) Limited Up £0.52 million
- Intelligent Office (via IO Outsourcing Limited) Up £0.41 million
- Springboard Research Holdings Limited Up £0.29 million

These gains were offset by companies which saw profits impacted by difficult trading conditions:

- Displayplan Holdings Limited Down £1.49 million
- The Heritage Window Company Holdco Limited Down £0.55 million

New and Follow-on Investments

In the six months to 30 September 2017 the Company has made two new investments of £2.70 million:

- £1.80 million into Friska Limited; a chain of 'Feel Good Food' restaurants centred in Bristol offering breakfast and lunchtime food as well as great coffee.
- £0.90 million into e2E Engineering Limited; a technical consultancy business operating in the satellite communications market.

Two follow-on investments were also made; £0.42 million into Sipsynergy (via Hosted Network Services Limited) and a small investment in Teraview Limited.

Realisation of Investments

During the six months to 30 September 2017 the Company generated £4.51 million from disposals and repayment of loans. This included the realisation of a fixed income security, the full exits from Selima Holding Company Ltd and Harvey Jones Holdings Limited and the reduction of a number of AIM holdings following a period of strong share price performance.

A detailed analysis of all investments sold in the period to 30 September 2017 can be found in note 6 to this interim report.

INVESTMENT PORTFOLIO

As at 30 September 2017

The top 10 investments had a combined value of £31.75 million, 56.3 per cent of the total portfolio.

Software, IT and Telecommunications



Business Services



Manufacturing and Industrial Services



Healthcare



Retail and Brands



Name of Company	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2017 £000	Proceeds to date £000	Realised and unrealised value to date £000
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ACC Aviation (via Newacc (2014) Limited)

Nov 14	2,068	5,549	-	5,549
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With annual sales of over £40 million, ACC Aviation has built an excellent reputation for providing services to clients globally in all aspects of aircraft leasing, charter and flight management. The airline industry continues to change at a fast pace and the business has successfully evolved to provide a range of solutions.

Reigate – www.flyacc.com



Intelligent Office (via IO Outsourcing Limited)

May 14	2,934	4,895	-	4,895
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Intelligent Office is a leading provider of process outsourcing solutions to UK legal practices and has won a number of significant new customers since investment. The Managed Services division works within firms' own premises to help them transform and manage key administrative functions and secretarial services.

Alloa – www.intelligentofficeuk.com



Mangar Health Limited

Jan 14	2,460	3,981	-	3,981
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Mangar is a world leader in inflatable lifting, handling and bathing equipment for the elderly, disabled and emergency services markets. It distributes its products to care providers, local authorities, ambulance services and care homes. Products facilitate extended independence for elderly users.

Powys – www.mangar.co.uk

Investment Portfolio (continued)

Name of Company	Date of initial investment	Current cost	Investment Valuation at 30 September 2017	Proceeds to date	Realised and unrealised value to date
		£000	£000	£000	£000



Springboard Research Holdings Limited

Oct 14	2,558	2,883	-	2,883
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Springboard Research is a leading provider of retail performance monitoring: providing footfall, dwell time and analysis of customer behaviour. It is the official provider of footfall data and benchmarks to the British Retail Consortium. A continually shifting retail environment means that retailers and landlords are seeking new ways of improving their competitive advantage. The company has seen a significant increase in sales to North America.

Milton Keynes – www.spring-board.info



GTK (Holdco) Limited

Oct 13	675	2,722	1,379	4,101
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GTK is a manufacturer of cable assemblies, connectors, optoelectronics and manufacturing solutions for high technology customers. With a small sourcing team in Taiwan and facilities in the UK and Romania it provides design, procurement and manufacturing services of essential components to sectors such as precision instrumentation, defence/security and contract equipment manufacturing.

Basingstoke – www.gtk.co.uk



Business Collaborator Limited

Nov 14	2,010	2,475	-	2,475
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Business Collaborator is an established provider of collaboration software hosted on the cloud to the construction sector and a leader in the nascent Building Information Modelling (“BIM”) software market. Sales growth is driven by the products’ ability to deliver cost savings to its customer base of construction firms and asset owners, supported by government regulations.

Reading – www.groupbc.com

Name of Company	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2017 £000	Proceeds to date £000	Realised and unrealised value to date £000
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Gill Marine Holdings Limited

Sep 13 2,500 2,355 - 2,355

Gill Marine is a manufacturer of technical sailing equipment and clothing. Exports account for over 70 per cent of turnover. The strategy is to develop the brand further and increase its share in existing and new markets, including direct to the customer through its relaunched website.

Nottingham - www.gillmarine.com



Matillion Limited

Nov 16 2,100 2,354 - 2,354

Matillion is a leading provider of cloud-based integration technologies and an Advanced Technology Partner to Amazon Web Services. Products enable its customers to store securely and easily access large quantities of their data in the cloud.

Knutsford - www.matillion.com



Leengate Holdings Limited

Dec 13 1,401 2,291 - 2,291

Leengate Valves is a wholesaler, stockist and distributor, supplying one of the largest ranges of industrial valves in the UK to leading re-sellers in the gas, water and industrial sectors. In addition it supplies engineering actuation and automation packages, offering a next day service and high quality technical advice. Leengate is developing some own-branded products for the agriculture and drinking water markets.

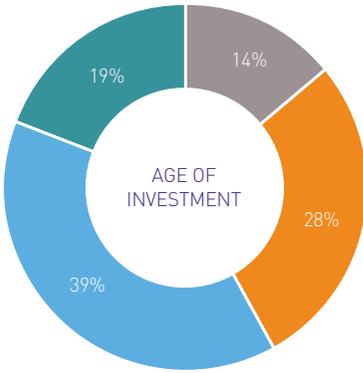
Derbyshire - www.leengatevalves.co.uk

Investment Portfolio (continued)

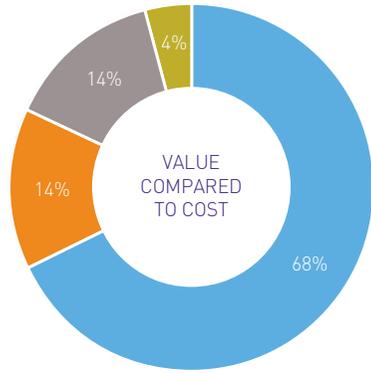
Name of Company	Date of initial investment	Current cost £000	Investment Valuation at 30 September 2017 £000	Proceeds to date £000	Realised and unrealised value to date £000
 DisplayPlan Holdings Limited	Jan 12	130	2,248	1,521	3,769
<p>DisplayPlan provides retail display solutions from design to finished product delivery to branded product manufacturers and UK retailers. Strong profits have been achieved since investment with an emphasis on continuing to broaden its customer base.</p> <p><i>Baldock - www.displayplan.com</i></p>					
Total top 10 investments		18,836	31,753	2,900	34,653

Name of Company		Date of initial investment	Current cost £000	Investment valuation at 30 September 2017 £000	Proceeds to date £000	Realised and unrealised value to date £000
Top 10 investments			18,836	31,753	2,900	34,653
Remaining unquoted portfolio						
Software	Deep-Secure Limited	Dec 09	1,000	2,194	-	2,194
Software	KeTech Enterprises Limited	Nov 15	2,000	2,123	-	2,123
Retail	Friska Limited	Jul 17	1,800	1,800	-	1,800
Software	Sipsynergy (via Hosted Network Services Limited)	Jun 16	1,770	1,635	-	1,635
Manufacturing	Wakefield Acoustics (via Malvar Engineering Limited)	Dec 14	1,080	1,491	75	1,566
Software	Traveltek Limited	Oct 16	1,470	1,470	-	1,470
Business Services	Macro Art Holdings Limited	Jun 14	824	1,370	436	1,806
Software	Biz2Mobile Limited	Oct 16	1,500	1,350	-	1,350
Business Services	Fairlight Bridge Limited	Apr 12	1,000	1,000	-	1,000
Software	Seven Technologies Holdings Limited	Apr 12	1,984	992	1,524	2,516
Software	e2E Engineering Limited	Sep 17	900	900	-	900
Manufacturing	RMS Group Holding Limited	Jul 07	180	807	897	1,704
Retail	Bagel Nash Group Limited	Jul 11	944	794	300	1,094
Other investments £0.75 million and below			6,472	4,670	-	4,670
Total unquoted investments			41,760	54,349	6,132	60,481
Quoted portfolio						
Other investments £0.75 million and below			766	2,081	2,577	4,658
Total quoted investments			766	2,081	2,577	4,658
Total portfolio			42,526	56,430	8,709	65,139
Full disposals since March 2002			30,482	-	69,897	69,897
Full disposals to March 2002			5,748	-	1,899	1,899
Total investment portfolio			78,756	56,430	80,505	136,935

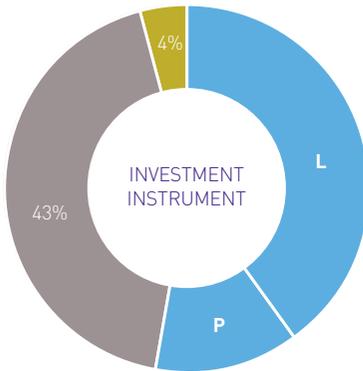
OUR PORTFOLIO AT A GLANCE



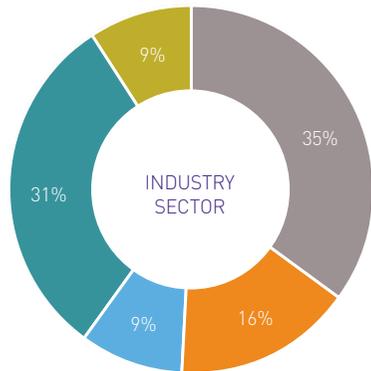
- Less than 1 year
- Between 1 and 3 years
- Between 3 and 5 years
- Greater than 5 years



- Value above cost
- At cost
- Value below cost
- Quoted Companies



- L Loan
 - P Preference shares
 - Ordinary Shares
 - Quoted companies
- } 53%



- Business Services
- Manufacturing and Industrial
- Healthcare
- Software, IT and Telecommunications
- Retail and Brands

PRINCIPAL RISKS AND UNCERTAINTIES

In accordance with DTR 4.2.7, the Board confirms that the principal risks and uncertainties facing the Company have not materially changed from those identified in the Annual Report and Accounts for the year ended 31 March 2017. The Board acknowledges that there is regulatory risk and continues to manage the Company's affairs in such a manner as to comply with section 274 of the Income Tax Act 2007.

In summary, the principal risks are:

- Loss of approval as a Venture Capital Trust;
- Economic;
- Investment and strategic;
- Regulatory;
- Reputational;
- Operational;
- Financial; and
- Market/liquidity.

Full details of the principal risks can be found in the financial statements for the year ended 31 March 2017 on pages 29 and 30, a copy of which is available at www.bscfunds.com.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors of British Smaller Companies VCT plc confirm that, to the best of their knowledge, the condensed set of financial statements in this interim report have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU, and give a true and fair view of the assets, liabilities, financial position and profit and loss of British Smaller Companies VCT plc, and that the interim management report, which comprises the financial overview and interim strategic report, includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The directors of British Smaller Companies VCT plc are listed in note 9 of these interim financial statements.

By order of the Board



Helen Sinclair
Chairman

1 December 2017

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2017

	Notes	Unaudited 6 months ended 30 September 2017			Unaudited 6 months ended 30 September 2016		
		Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Income	2	1,102	-	1,102	1,693	-	1,693
Gain on disposal of investments		-	630	630	-	87	87
(Loss) gains on investments held at fair value		-	(67)	(67)	-	3,247	3,247
Total income		1,102	563	1,665	1,693	3,334	5,027
Administrative expenses:							
Investment Adviser's fee		(220)	(661)	(881)	(239)	(718)	(957)
Incentive fee		-	-	-	-	(108)	(108)
Other expenses		(264)	-	(264)	(267)	-	(267)
		(484)	(661)	(1,145)	(506)	(826)	(1,332)
Profit (loss) before taxation		618	(98)	520	1,187	2,508	3,695
Taxation	3	(72)	72	-	(125)	125	-
Profit (loss) for the period		546	(26)	520	1,062	2,633	3,695
Total comprehensive income (expense) for the period		546	(26)	520	1,062	2,633	3,695
Basic and diluted earnings (loss) per ordinary share	5	0.50p	(0.02)p	0.48p	1.11p	2.74p	3.85p

The Total column of this statement represents the Company's Statement of Comprehensive Income, prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The supplementary Revenue and Capital columns are prepared under the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in November 2014 and updated in January 2017 with consequential amendments – "SORP") published by the Association of Investment Companies.

UNAUDITED BALANCE SHEET

as at 30 September 2017

	Notes	Unaudited 30 September 2017 £000	Unaudited 30 September 2016 £000	Audited 31 March 2017 £000
Assets				
Non-current assets				
Investments		56,430	62,672	56,519
Fixed income securities		710	1,451	1,444
Financial assets at fair value through profit or loss	6	57,140	64,123	57,963
Trade and other receivables		1,123	1,206	1,160
		58,263	65,329	59,123
Current assets				
Trade and other receivables		1,856	568	5,068
Cash on fixed term deposit		9,000	14,150	13,023
Cash and cash equivalents		15,568	15,394	14,847
		26,424	30,112	32,938
Liabilities				
Current liabilities				
Trade and other payables		(713)	(368)	(3,989)
Net current assets		25,711	29,744	28,949
Net assets		83,974	95,073	88,072
Shareholders' equity				
Share capital		11,342	10,069	11,101
Share premium account		-	28,318	35,519
Capital redemption reserve		-	221	221
Capital reserve		56,024	32,101	23,686
Investment holding gains and losses		13,917	22,106	15,400
Revenue reserve		2,691	2,258	2,145
Total shareholders' equity		83,974	95,073	88,072
Net asset value per ordinary share	7	77.0p	98.3p	82.3p

Signed on behalf of the Board



Helen Sinclair

Chairman

1 December 2017

UNAUDITED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2017

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Investment holding gains (losses)	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 31 March 2016	9,935	27,231	221	37,418	18,878	2,040	95,723
<i>Revenue return for the period before tax</i>	-	-	-	-	-	1,187	1,187
<i>Capital expenses</i>	-	-	-	(826)	-	-	(826)
<i>Gain on investments held at fair value</i>	-	-	-	-	3,247	-	3,247
<i>Gain on disposal of investments in the period</i>	-	-	-	87	-	-	87
<i>Taxation</i>	-	-	-	125	-	(125)	-
Total comprehensive (expense) income for the period	-	-	-	(614)	3,247	1,062	3,695
<i>Issue of shares – DRIS</i>	134	1,105	-	-	-	-	1,239
<i>Issue costs – DRIS</i>	-	(18)	-	-	-	-	(18)
<i>Purchase of own shares</i>	-	-	-	(306)	-	-	(306)
<i>Dividends</i>	-	-	-	(4,416)	-	(844)	(5,260)
Total transactions with owners	134	1,087	-	(4,722)	-	(844)	(4,345)
Realisation of prior period investment holding gains	-	-	-	19	(19)	-	-
At 30 September 2016	10,069	28,318	221	32,101	22,106	2,258	95,073
<i>Revenue return for the period before tax</i>	-	-	-	-	-	606	606
<i>Capital expenses</i>	-	-	-	(4,254)	-	-	(4,254)
<i>Gain on investments held at fair value</i>	-	-	-	-	1,806	-	1,806
<i>Gain on disposal of investments in the period</i>	-	-	-	2,676	-	-	2,676
<i>Taxation</i>	-	-	-	76	-	(76)	-
Total comprehensive (expense) income for the period	-	-	-	(1,502)	1,806	530	834
<i>Issue of share capital</i>	501	3,748	-	-	-	-	4,249
<i>Issue costs</i>	-	(133)	-	(4)	-	-	(137)
<i>Issue of shares – DRIS</i>	531	3,597	-	-	-	-	4,128
<i>Issue costs – DRIS</i>	-	(11)	-	-	-	-	(11)
<i>Purchase of own shares</i>	-	-	-	(98)	-	-	(98)
<i>Dividends</i>	-	-	-	(15,370)	-	(596)	(15,966)
Total transactions with owners	1,032	7,201	-	(15,472)	-	(596)	(7,835)
Transfer between reserves	-	-	-	47	-	(47)	-
Realisation of prior period investment holding gains	-	-	-	8,512	(8,512)	-	-
At 31 March 2017	11,101	35,519	221	23,686	15,400	2,145	88,072

Unaudited Statement of Changes in Equity (continued)
for the six months ended 30 September 2017

	Share capital	Share premium account	Capital redemption reserve	Capital reserve	Investment holding gains (losses)	Revenue reserve	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 31 March 2017	11,101	35,519	221	23,686	15,400	2,145	88,072
<i>Revenue return for the period before tax</i>	-	-	-	-	-	618	618
<i>Capital expenses</i>	-	-	-	(661)	-	-	(661)
<i>Loss on investments held at fair value</i>	-	-	-	-	(67)	-	(67)
<i>Gain on disposal of investments in the period</i>	-	-	-	630	-	-	630
<i>Taxation</i>	-	-	-	72	-	(72)	-
Total comprehensive income (expense) for the period	-	-	-	41	(67)	546	520
<i>Issue costs</i>	-	(9)	-	-	-	-	(9)
<i>Issue of shares – DRIS</i>	241	1,505	-	-	-	-	1,746
<i>Issue costs – DRIS</i>	-	(5)	-	-	-	-	(5)
<i>Purchase of own shares</i>	-	-	-	(190)	-	-	(190)
<i>Dividends</i>	-	-	-	(6,150)	-	-	(6,150)
<i>Cancellation of share premium account – net of costs</i>	-	(37,010)	(221)	37,221	-	-	(10)
Total transactions with owners	241	(35,519)	(221)	30,881	-	-	(4,618)
Realisation of prior period investment holding gains	-	-	-	1,416	(1,416)	-	-
At 30 September 2017	11,342	-	-	56,024	13,917	2,691	83,974

Reserves available for distribution

Under the Companies Act 2006 the capital reserve and the revenue reserve are distributable reserves. The table below shows the amount available for distribution.

	Capital reserve £000	Revenue reserve £000	Total £000
Distributable reserves as above	56,024	2,691	58,715
<i>Less cancelled share premium</i>	<i>(39,103)</i>	<i>-</i>	<i>(39,103)</i>
<i>Less interest and dividends receivable in future</i>	<i>-</i>	<i>(1,751)</i>	<i>(1,751)</i>
Reserves available for distribution*	16,921	940	17,861

* Subject to filing these interim statements at Companies House.

The capital reserve and the revenue reserve are both distributable reserves. These reserves total £58,715,000, representing an increase of £32,884,000 in the period since 31 March 2017. The directors also take into account the level of investment holding gains (losses) reserve and the future requirements of the Company when determining the level of dividend payments.

Of the potentially distributable reserves of £58,715,000 shown above, £1,751,000 relates to interest and dividends receivable from 2018 onwards and £39,103,000 relates to cancelled share premium which will become distributable from 1 April 2018 to 1 April 2021 (see below).

The total amount held in the share premium account at 30 June 2017 was cancelled on 21 September 2017. Total share premium cancelled including £2,093,000 previously cancelled will be available for distribution from the following dates.

	£000
1 April 2018	23,029
1 April 2019	6,295
1 April 2020	8,288
1 April 2021	1,491
Cancelled share premium not yet distributable	39,103

On filing these interim financial statements at Companies House, the reserves available for distribution will be £17,861,000.

UNAUDITED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2017

Notes	Unaudited 6 months ended 30 September 2017 E000	Unaudited 6 months ended 30 September 2016 E000	Audited Year ended 31 March 2017 E000
Profit before taxation	520	3,695	4,529
(Increase) decrease in trade and other receivables	(893)	298	(197)
(Decrease) increase in trade and other payables	(3,164)	(917)	2,642
Loss (gain) on investments held at fair value	67	(3,247)	(5,053)
Gain on disposal of investments	(630)	(87)	(2,763)
Capitalised interest and dividends	-	(20)	(109)
Net cash outflow from operating activities	(4,100)	(278)	(951)
Cash flows from investing activities			
Purchase of financial assets at fair value through profit or loss	(3,122)	(1,376)	(6,491)
Proceeds from sale of financial assets at fair value through profit or loss	4,191	847	16,968
Deferred consideration received	213	-	11
Cash maturing from fixed term deposit	4,023	1,901	3,028
Net cash inflow from investing activities	5,305	1,372	13,516
Cash flows from financing activities			
Issue of ordinary shares	4,244	-	-
Cost of ordinary share issues*	(118)	(18)	(72)
Share premium cancellation costs	(10)	-	-
Purchase of own ordinary shares	(190)	(306)	(404)
Dividends paid	(4,410)	(3,995)	(15,861)
Net cash outflow from financing activities	(484)	(4,319)	(16,337)
Net increase (decrease) in cash and cash equivalents	721	(3,225)	(3,772)
Cash and cash equivalents at the beginning of the period	14,847	18,619	18,619
Cash and cash equivalents at the end of the period	15,568	15,394	14,847

* Issue costs include both fundraising costs and expenses incurred from the Company's DRIS.

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS

1 General information, basis of preparation and principal accounting policies

These half year statements have been approved by the current directors whose names appear at note 9, each of whom has confirmed that to the best of their knowledge:

- The interim management report includes a fair review of the information required by rules 4.2.7 and 4.2.8 of the Disclosure Rules and the Transparency Rules.
- The half year statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The half year statements are unaudited and have not been reviewed by the auditors pursuant to the Auditing Practices Board (APB) guidance on Review of Interim Financial Information. They do not constitute full financial statements as defined in section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2017 do not constitute full financial statements and have been extracted from the Company's financial statements for the year ended 31 March 2017. Those accounts were reported upon without qualification by the auditors and have been delivered to the Registrar of Companies.

The accounting policies and methods of computation followed in the half year statements are the same as those adopted in the preparation of the audited financial statements for the year ended 31 March 2017. New standards coming into force during the period have not had a material impact on these financial statements.

The financial statements for the year ended 31 March 2017 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Where guidance set out in the SORP is consistent with the requirements of IFRS, the financial statements have been prepared in compliance with the recommendations of the SORP.

Standards and interpretations have been issued which will be effective for future reporting periods but have not been adopted early in these interim financial statements. These include IFRS 9, IFRS 15, IFRS 16, IFRIC 22 and amendments to IFRS 1, IFRS 2, IFRS 4, IFRS 12, IFRS 15, IFRS 17, IAS 7, IAS 12, IAS 28, IAS 40 and IFRIC 23. Following an initial assessment, the Company does not expect that these standards, amendments, interpretations, issued but not yet effective, will have a material impact on its results or net assets.

The financial statements are presented in sterling and all values are rounded to the nearest thousand (£000), except where stated.

Going Concern: The directors have carefully considered the issue of going concern and are satisfied that the Company has sufficient resources to meet its obligations as they fall due for a period of at least twelve months from the date these half year statements were approved. As at 30 September 2017 the Company held cash balances and fixed term deposits with a combined value of £24,568,000. Cash flow projections show the Company has sufficient funds to meet both its contracted expenditure and its discretionary cash outflows in the form of share buy-backs and the dividend policy. The directors therefore believe that it is appropriate to continue to apply the going concern basis of accounting in preparing these half year statements.

Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

2 Income

	Unaudited 6 months ended 30 September 2017 £000	Unaudited 6 months ended 30 September 2016 £000
Income from investments		
- Dividends from unquoted companies	234	552
- Dividends from AIM quoted companies	5	6
	239	558
- Interest on loans to unquoted companies	769	959
- Fixed income securities	8	8
Income from investments held at fair value through profit or loss	1,016	1,525
Interest on bank deposits	86	168
	1,102	1,693

3 Taxation

	Unaudited 6 months ended 30 September 2017			Unaudited 6 months ended 30 September 2016		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Profit (loss) before taxation	618	(98)	520	1,187	2,508	3,695
Profit (loss) before taxation multiplied by the standard small company rate of corporation tax in UK of 19.0% (2016: 20.0%)	117	(18)	99	237	502	739
Effect of:						
UK dividends received	(45)	-	(45)	(112)	-	(112)
Non-taxable profits on investments	-	(107)	(107)	-	(667)	(667)
Excess expenses	-	53	53	-	40	40
Tax charge (credit)	72	(72)	-	125	(125)	-

The Company has no provided, or unprovided, deferred tax liability in either period.

Deferred tax assets in respect of losses have not been recognised as the directors do not currently believe that it is probable that sufficient taxable profits will be available against which the assets can be recovered.

Due to the Company's status as a venture capital trust, and the continued intention to meet the conditions required to comply with Chapter 3 Part 6 of the Income Tax Act 2007, the Company has not provided deferred tax on any capital gains or losses arising on the revaluation or realisation of investments.

4 Dividends

Amounts recognised as distributions to equity holders in the period:

	Unaudited 6 months ended 30 September 2017			Unaudited 6 months ended 30 September 2016			Audited Year ended 31 March 2017		
	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000	Revenue £000	Capital £000	Total £000
Final dividend for the year ended 31 March 2016 of 3.5p per ordinary share	-	-	-	844	2,503	3,347	844	2,503	3,347
Special interim dividend for the year ended 31 March 2017 of 2.0p per ordinary share	-	-	-	-	1,913	1,913	-	1,913	1,913
Interim dividend for the year ending 31 March 2018 of 5.75p (2017: 16.5p*) per ordinary share	-	6,150	6,150	-	-	-	596	15,370	15,966
	-	6,150	6,150	844	4,416	5,260	1,440	19,786	21,226
Shares allotted under DRIS			(1,746)			(1,239)			(5,367)
Unclaimed dividends			6			(26)			2
Dividends paid in the Statement of Cash Flows			4,410			3,995			15,861

* The interim dividend of 16.5 pence per ordinary share included a special dividend of 14.5 pence per ordinary share arising from the realisation of GO Outdoors Topco Limited.

5 Basic and Diluted Earnings (Loss) per Ordinary Share and Changes in Share Capital

The basic and diluted earnings per ordinary share is based on the profit after tax attributable to equity shareholders of £520,000 (30 September 2016: £3,695,000) and 108,626,142 (30 September 2016: 95,997,395) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The basic and diluted revenue earnings per ordinary share is based on the revenue profit attributable to equity shareholders of £546,000 (30 September 2016: £1,062,000) and 108,626,142 (30 September 2016: 95,997,395) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The basic and diluted capital loss per ordinary share is based on the capital loss attributable to equity shareholders of £26,000 (30 September 2016: capital profit £2,633,000) and 108,626,142 (30 September 2016: 95,997,395) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

During the period the Company allotted 2,407,686 new ordinary shares in respect of its dividend re-investment scheme.

The Company has repurchased 260,000 of its own shares in the period and these shares are held in the capital reserve. The total of 4,307,999 treasury shares has been excluded in calculating the weighted average number of ordinary shares during the period. The Company has no securities that would have a dilutive effect and hence basic and diluted earnings (loss) per ordinary share are the same.

6 Financial Assets at Fair Value through Profit or Loss

IFRS 13, in respect of financial instruments that are measured in the balance sheet at fair value, requires disclosure of fair value measurements by level within the following fair value measurement hierarchy:

- **Level 1:** quoted prices in active markets for identical assets or liabilities. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1 and comprise AIM quoted investments or fixed income securities classified as held at fair value through profit and loss.
- **Level 2:** the fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The Company held no such instruments in the current or prior year.

- **Level 3:** the fair value of financial instruments that are not traded in an active market (for example, investments in unquoted companies) is determined by using valuation techniques such as earnings multiples. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

All of the Company's unquoted investments are included in Level 3.

Each investment is reviewed at least quarterly to ensure that it has not ceased to meet the criteria of the level in which it was included at the beginning of each accounting period. There have been no transfers between these classifications in the period (30 September 2016: none).

The change in fair value for the current and previous year is recognised through profit or loss. All items held at fair value through profit and loss were designated as such upon initial recognition.

Valuation of Investments

Initial Measurement: Financial assets are initially measured at fair value. The best estimate of the initial fair value of a financial asset that is either quoted or not quoted in an active market is the transaction price (i.e. cost).

Subsequent Measurement: The International Private Equity and Venture Capital (IPEVC) Valuation Guidelines ("the Guidelines") identify six of the most widely used valuation methodologies for unquoted investments. The Guidelines advocate that the best valuation methodologies are those that draw on external, objective market based data in order to derive a fair value.

Full details of the methods used by the Company were set out on pages 55 and 56 of the financial statements for the year ended 31 March 2017, a copy of which can be found at www.bscfunds.com. Where investments are in quoted stocks, fair value is set at the market price.

The primary methods used for valuing non-quoted investments, and the key assumptions relating to them are:

- **Price of recent investment, reviewed for changes in fair value:** This represents the cost of the investment or the price at which a significant amount of new investment has been made by an independent third party adjusted, if necessary, for factors relevant to the background of the specific investment. The value of the investment is assessed for changes or events that would imply either a reduction or increase to its fair value through comparison of financial, technical and marketing milestones set at the time of investment. Where it is considered that the fair value no longer approximates to the cost of the recent investment an estimated adjustment to the cost, based on objective data, will be made to the investment's carrying value.
- **Earnings multiple:** A multiple that is appropriate and reasonable, given the risk profile and earnings growth prospects of the underlying company, is applied to the maintainable earnings of that company. The multiple is adjusted to reflect any risk associated with lack of marketability and to take account of the differences between the investee company and the benchmark company or companies.

Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

6 Financial Assets at Fair Value through Profit or Loss (continued)

Movements in investments at fair value through profit or loss during the six months to 30 September 2017 are summarised as follows:

IFRS 13 measurement classification	Level 3	Level 1	Level 1		
	Unquoted Investments £000	Quoted Equity Investments £000	Total Quoted and Unquoted £000	Fixed Income Securities £000	Total Investments £000
Opening cost	40,277	862	41,139	1,424	42,563
Opening valuation gain	13,802	1,578	15,380	20	15,400
Opening fair value at 1 April 2017	54,079	2,440	56,519	1,444	57,963
Additions at cost	3,122	-	3,122	-	3,122
Disposal proceeds	(3,266)	(483)	(3,749)	(726)	(4,475)
Net profit on disposal*	570	30	600	(3)	597
Change in fair value	(156)	94	(62)	(5)	(67)
Closing fair value at 30 September 2017	54,349	2,081	56,430	710	57,140
Closing cost	41,760	766	42,526	696	43,222
Closing valuation gain	12,589	1,315	13,904	14	13,918
Closing fair value at 30 September 2017	54,349	2,081	56,430	710	57,140

* The net profit on disposal in the table above is £597,000 whereas that shown in the Statement of Comprehensive Income is £630,000. The difference comprises the gain of £33,000 arising on deferred proceeds in respect of assets which have been disposed and are not included within the investment portfolio at the period end.

Level 3 valuations include assumptions based on non-observable data, such as discounts applied either to reflect changes in fair value of financial assets held at the price of recent investment, or to adjust earnings multiples.

IFRS 13 requires disclosure, by class of financial instruments, if the effect of changing one or more inputs to reasonably possible alternative assumptions would result in a significant change to the fair value measurement. Each unquoted portfolio company has been reviewed in order to identify the sensitivity of the valuation methodology to using alternative assumptions. Where discounts have been applied (for example to earnings levels or PE ratios) alternatives have been considered which would still fall within the IPEVC Guidelines. For each unquoted investment, two scenarios have been modelled: more prudent assumptions (downside case) and more optimistic assumptions (upside case). Applying the downside alternatives the value of the unquoted investments would be £4.0 million or 7.4 per cent lower. Using the upside alternatives the value would be increased by £5.1 million or 9.4 per cent.

Of the Company's equity investments 96 per cent are in unquoted companies held at fair value (31 March 2017: 96 per cent). The valuation methodology for these investments includes the application of externally produced FTSE® multiples. Therefore the value of the unquoted element of the portfolio is also indirectly affected by price movements on the listed market. Those using an earnings multiple methodology include judgements regarding the level of discount applied to that multiple. A 10 per cent decrease in the discount applied would have increased the net assets attributable to the Company's shareholders and the total profit by £4.8 million (5.7 per cent of net assets). A change in the opposite direction would have decreased net assets attributable to the Company's shareholders and the total profit for the period by £4.7 million (5.6 per cent of net assets).

Of the Company's equity investments, 4 per cent are quoted on AIM (31 March 2017: 4 per cent). A five per cent increase in stock prices as at 30 September 2017 would have increased the net assets attributable to the Company's shareholders and the total profit for the period by £104,000 (31 March 2017: £122,000). An equal change in the opposite direction would have decreased the net assets attributable to the Company's shareholders and the total profit for the period by an equal amount.

Fixed income securities comprise UK Government stocks and are classified as financial assets at fair value through profit or loss. Their use is as temporary holdings until capital investment opportunities arise.

Explanatory Notes to the Unaudited Condensed Financial Statements (continued)

6 Financial Assets at Fair Value through Profit or Loss (continued)

The following loan repayments and disposals took place during the period.

	Net proceeds from sale	Cost	Opening carrying value as at 1 April 2017	Gain (loss) over opening carrying value	Profit (loss) on original cost
	£000	£000	£000	£000	£000
<i>Unquoted investments</i>					
GTK (Holdco) Limited	226	226	226	-	-
Harvey Jones Holdings Limited	969	735	975	(6)	234
Macro Art Holdings Limited	78	78	78	-	-
Selima Holding Company Ltd	1,993	600	1,417	576	1,393
	3,266	1,639	2,696	570	1,627
<i>Quoted investments</i>					
AB Dynamics plc	186	34	200	(14)	152
Gamma Communications plc	120	35	91	29	85
Mattioli Woods plc	177	27	162	15	150
	483	96	453	30	387
Total from disposals in the period	3,749	1,735	3,149	600	2,014
<i>Deferred consideration</i>					
Callstream Group Limited	33	-	-	33	33
Total proceeds from quoted and unquoted investments	3,782	1,735	3,149	633	2,047
Fixed income securities	726	727	729	(3)	(1)
Total proceeds from portfolio*	4,508	2,462	3,878	630	2,046

* The proceeds in the table above total £4,508,000, whereas that shown in the Statement of Cash Flows for proceeds from the sale of financial assets and deferred consideration received is £4,404,000. The difference comprises deferred consideration of £284,000 relating to the realisation of Selima Holding Company Ltd which is expected to be received after 30 September 2017, less £180,000 deferred consideration previously recognised arising on the realisation of GO Outdoors Topco Limited which was received in the period.

7 Basic and Diluted Net Asset Value per Ordinary Share

The basic and diluted net asset value per ordinary share is calculated on attributable assets of £83,974,000 (30 September 2016 and 31 March 2017: £95,073,000 and £88,072,000 respectively) and 109,107,183 (30 September 2016 and 31 March 2017: 96,763,440 and 106,959,497 respectively) ordinary shares in issue at 30 September 2017.

The 4,307,999 (30 September 2016: 3,922,999 and 31 March 2017: 4,047,999) treasury shares have been excluded in calculating the number of ordinary shares in issue at 30 September 2017. The Company has no securities that would have a dilutive effect and hence basic and diluted net asset value per ordinary share are the same.

8 Total Return

Total return per share is calculated on cumulative dividends paid of 136.4 pence per ordinary share (30 September 2016: 114.2 pence per ordinary share and 31 March 2017: 130.7 pence per ordinary share) plus the net asset value as calculated in note 7.

9 Directors

The directors of the Company are:

Mrs H Sinclair	(non-executive Chairman)
Mr CWER Buchan	(non-executive director)
Mr R Cook	(non-executive director), appointed 1 August 2017

Mr PS Cammerman retired as a director on 1 August 2017.

10 Other Information

Copies of the interim report can be obtained from the Company's registered office: 5th Floor, Valiant Building, 14 South Parade, Leeds, LS1 5QS or from www.bscfunds.com.

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Edward Buchan
Rupert Cook

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